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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

PRELIMINARY BUDGETS:

1. Compliance Requirements:

- A preliminary annual operating budget must be prepared for the local government. (Section 7-6-4020(1), MCA)
- The preliminary annual operating budget for each fund must include, at a minimum:
 - (a) a listing of all revenue and other resources for the prior budget year, current budget year, and proposed budget year;
 - (b) a listing of all expenditures for the prior budget year, the current budget year, and the proposed budget year. All expenditures must be classified under one of the following categories:
 - (1) salaries and wages;
 - (2) operations and maintenance;
 - (3) capital outlay;
 - (4) debt service; or
 - (5) transfers out.
 - (c) a projection of changes in fund balances or cash balances available for governmental fund types and a projection of changes in cash balances and working capital for proprietary fund types. This projection must be supported by a summary for each fund or group of funds listing the estimated beginning balance plus estimated revenue, less proposed expenditures, cash reserves, and estimated ending balances.
 - (d) a detailed list of proposed capital expenditures and a list of proposed major capital projects for the budget year;
 - (e) financial data on current and future debt obligations;
 - (f) schedules or summary tables of personnel or position counts for the prior budget year, current budget year, and proposed budget year. The budgeted amounts for personnel services must be supported by a listing of positions, salaries, and benefits for all positions of the local government. The listing of positions, salaries, and benefits is not required to be a part of the budget document.
 - (g) all other estimates that fall under the purview of the budget.
 - (h) The preliminary annual operating budget for each fund for which the local government will levy an ad valorem property tax must include the estimated amount to be raised by the tax.

(Section 7-6-4020(4) and (5), MCA)

Suggested Audit Procedures:

- Determine that a preliminary annual operating budget was prepared.
- Review the preliminary budget forms to determine if they contain the detailed information required above.

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

PRELIMINARY BUDGETS:

2. Compliance Requirements:

- The governing body shall cause a notice of a public hearing on the preliminary or amended budget to be published. The notice must:
 - (a) provide that the governing body has completed its preliminary annual budget for the ensuing fiscal year or intends to amend its annual budget;
 - (b) state that the budget or budget amendment has been placed on file and is open to inspection in the county or municipal office designated in the notice;
 - (c) designate the date, time, and place of the meeting at which the governing body will meet for approving a final budget or amended budget and making appropriations; and
 - (d) state that any taxpayer or resident may appear at the meeting and be heard for or against any part of the proposed budget or budget amendment. The publication requirements for a municipality must conform to the provisions of 7-1-4127. (Section 7-6-4021)
- The governing body shall hold a hearing in accordance with the notice given pursuant to 7-6-4021. Local government officials shall attend the budget hearing to answer questions on their proposed budgets if called upon by the governing body, taxpayer or resident. (Section 7-6-4024, MCA)
- The hearing may be continued from day to day and must be concluded and the budget finally approved and adopted by resolution by the later of the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue. (Section 7-6-4024, MCA)

Suggested Audit Procedures:

- Read the minutes and review a copy of the public hearing notice to determine if a hearing was held and that the notice was properly published and contained all required information.
- Verify that the final budget was finally approved and adopted by resolution by the later of the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue.

FINAL BUDGET AND RESOLUTION:

3. Compliance Requirements:

- The governing body may amend the preliminary budget after the public hearing and after considering any public comment. The amended budget constitutes the final budget, and must be balanced so that appropriations do not exceed the projected

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FINAL BUDGET AND RESOLUTION - continued:

3. Compliance Requirements - continued:

beginning balance plus the estimated revenue of each fund for the fiscal year.
(Section 7-6-4030, MCA)

(Note: The listing of positions, salaries, and benefits required in the preliminary budget is not a required part of the final budget document. (Section 7-6-4020(4) (f), MCA)

- The governing body shall adopt the final budget by resolution. The resolution must:
 - (a) authorize appropriations to defray the expenses or liabilities for the fiscal year; and
 - (b) establish legal spending limits at the level of detail in the resolution (i.e., fund, function, etc).

The effective date of the resolution is July 1 of the fiscal year, even if the resolution is adopted after that date.
(Section 7-6-4030, MCA)
- The final budget resolution may authorize the governing body or a designated official to transfer appropriations between items within the same fund.
(Section 7-6-4031, MCA)
- A local government may receive and expend money between July 1 of the fiscal year and the date the final budget resolution is adopted. (Section 7-6-4025, MCA)

Suggested Audit Procedures:

- Determine that the budget is in balance as defined above.
- Read the minutes and review the budget document and budget resolution to determine that the final budget and the final budget resolution include the elements that are described above.

MILL LEVY EXCEEDED - ELECTION REQUIRED:

4. Compliance Requirements:

- A city or town may impose a new mill levy, increase a mill levy that is required to be submitted to the electors, or exceed the mill levy limit provided for in Section 15-10-420, MCA, by conducting an election as provided in Section 15-10-425, MCA.
(Sections 15-10-425 & 7-6-4431, MCA)

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MILL LEVY EXCEEDED - ELECTION REQUIRED - continued:

4. Compliance Requirements - continued:

- The governing body may increase a mill levy on the approval of a majority of the qualified electors voting in the election. The resolution, charter amendment, or petition, to increase the mill levy must include:
 - (a) the specific purpose for which the additional money will be used;
 - (b) the specific amount to be raised;
 - (c) the approximate number of mills required; and
 - (d) the durational limit, if any, on the levy.
 (Sections 15-10-425 & 7-6-4431, MCA)

Suggested Audit Procedure:

- Test the mill levies adopted by the governing body for each fund and determine that they are either authorized by law and within the statutory limits set by law, or that they have been authorized by the voters, as provided above.

MAXIMUM BUDGET:

5. Compliance Requirements:

- Unless a local taxing authority adopts a resolution to budget additional revenue, no local taxing authority may budget an increased amount of ad valorem (property) tax revenue in excess of the property tax revenue of the previous fiscal year, exclusive of revenue from ad valorem taxation on properties appearing for the first time on the property tax record, as described in 15-10-420(3). (Sections 15-10-202 and 203, MCA)
- Prior to adoption of the resolution, the taxing authority shall hold a public hearing for the purpose of receiving comments on its intention to budget increased property tax revenue. The taxing authority shall advertise its intent to budget an increase in property tax revenue in a newspaper meeting the requirements of Sections 7-1-4127 and 15-10-203, MCA. (Section 15-10-203, MCA)

Suggested Audit Procedures:

- Determine, after excluding newly taxable property as described in Section 15-10-420(3), that the city's or town's ad valorem (property) tax revenue did not exceed the property tax revenue of the previous fiscal year.
- If the previous fiscal year's ad valorem tax revenue amount has been exceeded, determine that the city or town prepared a resolution to budget additional revenue, provided public notice via a newspaper and held a public hearing as described above.

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

MAXIMUM BUDGET - continued:

6. Compliance Requirements:

- A governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that may be imposed is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half of the average rate of inflation for the prior 3 years. **(Note: The Department of Revenue has calculated the rate as 1.28% for FY 2002, 1.27% for FY 2003, 1.22 for FY 2004, 0.97% for FY 2005, 1.251% for FY 2006, and 1.424% for FY 2007.)** (Section 15-10-420(1), MCA)
- The following are the exemptions from the maximum number of mills allowed as described above:
 1. the portion of a governmental entity's property tax levy for premium contributions for group benefits excluded under 2-9-212 or 2-18-703 (i.e., premium for insurance, deductible reserve fund, self-insurance reserve fund and state compensation insurance fund); **(See Compliance Requirement No. 22)** (Section 15-10-420(5)(b), MCA)
 2. a judgment levy under 2-9-316, 7-7-2202 or, effective October 1, 2003, 7-6-4015; **(See Compliance Requirement No. 17)** (Section 15-10-420(9)(a), MCA)
 3. a levy to repay taxes paid under protest as provided in 15-1-402; **(See Compliance Requirement No. 20)** (Section 15-10-420(9)(a), MCA)
 4. an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326; **(See Compliance Requirement No. 14)** (Section 15-10-420(9)(a), MCA)
 5. voted levies **(See Compliance Requirement No. 4)** (Section 15-10-425, MCA)
 6. A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time. (Section 15-10-420(10), MCA) **(Note: This exception only applies when the county or municipality has not levied or appropriated any assistance to the airport in the prior 2 years. It appears that the intent is that when the airport levy is discontinued, that amount is subtracted from the levying governmental entity's levy authorization amount.)**

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MAXIMUM BUDGET - continued:

6. Compliance Requirements - continued:

(Note: The levies authorized under Section 15-10-420(9)(a), MCA, may not be included in the amount of property taxes actually assessed in a subsequent year. (Section 15-10-420(9)(b), MCA))

- A governmental entity that does not impose the maximum number of mills, as described above, may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year. (Section 15-10-420(1)(b), MCA)
- The governmental entity may apply the levy calculated above, plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property. (Section 15-10-420(2))
- In determining the maximum number of mills to be levied, the governmental entity may increase the number of mills to account for a decrease in reimbursements (i.e., floating mill). (Section 15-10-420(7))

Suggested Audit Procedures:

- Compare the total amount of property taxes assessed for county funds for the year of audit to the total amount of property taxes assessed for county funds for the previous year. Determine that total taxes assessed for the year of audit do not exceed total taxes assessed for the previous year, plus one-half of the average rate of inflation for the prior 3 years.
- If the amount as calculated above has been exceeded, determine that the excess was attributed to additional levies authorized by the voters, to mills exempted by statute as described above, for mills used to account for a decrease in statutory reimbursements, and/or mill authority carried forward.

(Note: On pages 29 through 35 at the end of this Compliance Supplement are worksheets that may be used when determining whether the city/town has complied with Section 15-10-420, MCA. The city/town may have similar worksheets on file that were used to calculate the maximum number of mills to be levied. Also, the current worksheet can be found on the Local Government Services Bureau's website. Go to the State of Montana's website at <http://mt.gov/>. Then click first on Government, and then on State Agency Listings & Directories. Under Administration Department click on Local Government Services, then on Accounting and Management Systems Program – Forms, Publications & Downloads, and then on 03 Budget Reports. Scroll down to the bottom of the listing of files - the worksheet (levycompFYE200_) is the last one.

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MAXIMUM BUDGET - continued:

Suggested Audit Procedures - continued:

In that listing you can find the current year's mill levy form. The direct link is currently:

<http://doa.mt.gov/doaforms/LocalGovernmentForms/AccountingSystemsProgram/03%20Budget%20Reports/levycompFYE2007.xls>

(Note: Documentation that the city/town should have on file to support calculations on this worksheet are (1) a certified report from the Department of Revenue, and (2) information from the city's/town's general ledger.)

DETERMINATION OF FUND REQUIREMENTS - PROPERTY TAX LEVY:

7. Compliance Requirement:

- After determining the final budget, the governing body shall determine the property tax levy needed for each fund by:
 - (a) adding the total amount of the appropriations and authorized expenditures for the budget year;
 - (b) adding an additional amount, subject to the limitation noted in the next compliance requirement below (Cash Reserves), as a reserve to meet expenditures made from the fund during the months of July to November of the next fiscal year;
 - (c) subtracting the working capital; and
 - (d) subtracting the total estimated revenue, other than the property tax levy, for the budget year.
 (Section 7-6-4034, MCA)

Suggested Audit Procedure:

- Review the city's or town's calculation of the property tax levy needed for each fund using the calculation requirements noted above.

8. Compliance Requirement:

- After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve to any fund to meet expenditures made from the fund during the months of July to November of the next fiscal year may not exceed one-half (1/2) of the total amount appropriated and authorized to be spent from the fund during the current fiscal year. (Section 7-6-4034, MCA)

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

DETERMINATION OF FUND REQUIREMENTS - PROPERTY TAX LEVY – cont’d:

Suggested Audit Procedure:

- Test the cash reserve calculation to determine that the reserve for any fund does not exceed 1/2 of the total amount appropriated and authorized to be spent from the fund, after deducting appropriations for election expenses and payment of emergency warrants.

9. Compliance Requirements:

- The governing body shall fix the tax levy for each taxing jurisdiction within the municipality by the later of the second Monday in August or within 45 calendar days after receiving certified taxable values, and after the approval and adoption of the final budget. (Section 7-6-4036, MCA)

(Note: The Department of Revenue is required to submit the certification of taxable values by the first Monday in August. There is a provision, however, that states that upon the request of a taxing authority, the Department of Revenue shall provide an *estimate* of the total taxable value within the jurisdiction of the taxing authority by the second Monday in July. (Section 15-10-202, MCA)

- Except as provided in Section 7-12-4183, MCA, in each city or town where taxes for general, municipal, and administrative purposes are certified to and collected by the county treasurer immediately after the second Monday of August of each year, it is the duty of the city treasurer or town clerk to certify to the Department of Revenue, at the same time that the copy of the resolution determining the annual levy for general taxes is certified by the city or town clerk to the county clerk, all special assessments and taxes levied and assessed in accordance with any of the provisions of Title 7, Chapter 12, Parts 41 and 42.
(Section 7-12-4181, MCA)

(Note: The Department of Revenue shall enter the special assessments and taxes upon the property tax record for the county. The county treasurer shall collect all taxes and assessments in the same manner and at the same time as taxes for general, municipal, and administrative purposes are collected. (Section 7-12-4181, MCA))

Suggested Audit Procedures:

- Review the minutes and other city or town records, including the budget document and resolution, to ensure that the tax levies were fixed by the later of the second Monday in August or within 45 calendar days after receiving certified taxable values from the Department of Revenue, and after the approval and adoption of the final budget.

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DETERMINATION OF FUND REQUIREMENTS - PROPERTY TAX LEVY – cont’d:

Suggested Audit Procedures - continued:

- Verify that the resolution determining the annual levy for general taxes was certified by the city or town clerk to the county clerk and Department of Revenue.

ALL-PURPOSE MILL LEVY:

10. Compliance Requirements:

- Subject to 15-10-420, the council has power to annually levy and collect taxes on all the property in the city or town taxable for state and county (public or governmental – effective July 1, 2005) purposes and may by ordinance provide for the levy and collection of the taxes. (Section 7-6-4421, MCA)
- Cities and towns of Montana may make an all-purpose annual mill levy in lieu of the multiple levies authorized by the statutes of Montana. (Section 7-6-4451, MCA)

(Note: We recommend that the municipality specify its intent to impose the all-purpose levy in the resolution approving and adopting the annual budget.)

- Any municipality electing to follow the all-purpose mill levy method is bound by that election during the ensuing fiscal year but may abandon the all-purpose mill levy method in succeeding fiscal years. (Section 7-6-4455, MCA)
- In addition to the levy for the all-purpose general fund, levies for the following additional purposes may be imposed:
 - a. bonded indebtedness,
 - b. to pay judgments or tax protest refunds, and
 - c. special improvement district revolving funds.
 (Section 7-6-4453, MCA)

Suggested Audit Procedures:

- If the city or town has adopted the all-purpose mill levy, obtain and review a copy of the governing body’s resolution approving and adopting the all-purpose mill levy in the annual budget document.
- Review additional levies imposed by the municipality to determine if they include only those specified above.

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

SUBMITTING THE BUDGET TO STATE AND FORMAT:

11. Compliance Requirements:

- A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue. (Section 7-6-4003, MCA)
- The local government shall use standard forms prescribed by the Department of Administration or may use an alternative budget format acceptable to the Department of Administration. (Section 7-6-4003, MCA)
- Local government budgets must conform to the fund structure prescribed by the Department of Administration (i.e., The county's accounting structure must follow the chart of accounts for the Budgetary, Accounting, and Reporting System (BARS) for Montana Cities, Towns and Counties.). (Section 7-6-4004, MCA)

Suggested Audit Procedures:

- Determine that a copy of the final budget, together with the tax levies, was submitted to the Department of Administration by October 1, or 60 days after receipt of the taxable values.
- Determine that the budget document was on the format as prescribed by the Department of Administration. If not, then determine that the city or town received approval from the Department to use an alternative format.
- During your review of the budget document determine that the fund structure followed the format as described in the BARS chart of accounts.

(Note: If the local government has not complied with these statutes, we recommend that an audit finding be included in your audit report.)

EXPENDITURES LIMITED TO APPROPRIATIONS:

12. Compliance Requirements:

- Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund. Money may not be disbursed, expended, or obligated except pursuant to an appropriation for which working capital is or will be available. (Section 7-6-4005 and 4006, MCA)
(NOTE: The authorization of bonds by the electors or the governing body constitutes the appropriation of the bond proceeds for the purpose for which the bonds are authorized. (Section 7-6-4011, MCA))

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

EXPENDITURES LIMITED TO APPROPRIATIONS - continued:

12. Compliance Requirements - continued:

(Note: Section 15-24-3007, MCA, explicitly indicates that the *electrical generation impact fund* must be financially administered as a nonbudgeted fund under the provisions of Title 7, chapter 6, part 40, MCA. That part of the Montana Code Annotated, however, is the Local Government Budget Act, which, as noted above, specifically states that “Money may not be disbursed, expended, or obligated except pursuant to an appropriation...” There is no specific provision in the Act for “nonbudgeted funds”. Therefore, it would appear that expenditures from the fund must be formally appropriated, although under the Act appropriations can be adjusted according to procedures adopted by the governing body.)

- A local government official who violates the preceding requirement is liable for the amount of the excess disbursement, expenditure, or obligation personally (**prior to April 8, 2005** - and upon the official's bond.) The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability. (Section 7-6-4005, MCA)
- The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations. (Section 7-6-4006, MCA)
- Appropriations may be adjusted according to procedures authorized by the governing body in the final budget resolution for:
 - (a) debt service funds for obligations related to debt approved by the governing body;
 - (b) trust funds for obligations authorized by trust covenants;
 - (c) any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
 - (d) any fund for special assessments approved by the governing body;
 - (e) the proceeds from the sale of land;
 - (f) any fund for gifts or donations; and
 - (g) money borrowed during the fiscal year.
 (Section 7-6-4006, MCA)
- The authorization of bonds by the electors or the governing body constitutes the appropriation of the bond proceeds for the purpose for which the bonds are authorized. (Section 7-6-4011, MCA)

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

EXPENDITURES LIMITED TO APPROPRIATIONS - continued:

12. Compliance Requirements - continued:

- Except as provided by 7-6-4006, 7-6-4011, 7-6-4012, 7-6-4015, and 7-6-4032, the governing body, and each municipal official is limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. (Section 7-6-4033, MCA)

Suggested Audit Procedures:

- Compare actual expenditures to approved budget appropriations and determine that expenditures did not exceed the approved appropriations, as originally adopted or as amended.
- If budget appropriation have been amended, review the minutes to determine that a public hearings was held. Also, review the resolution that was adopted and determine that it discloses the funding source for the amendment as noted above.
- As part of expenditure/cash disbursement testing, determine that no payments were made or obligations incurred without an appropriation, except for payments from an agency fund.
- If expenditures exceed the budget, discuss the matter with the municipality's attorney and determine if any action has been taken or contemplated to recover the amount of the excess from the responsible official or officials.

FEE BASED BUDGETS – ADJUSTABLE APPROPRIATION:

13. Compliance Requirements:

- In its final budget resolution, the governing body may authorize adjustments to appropriations funded by fees throughout the budget period. Adjustable appropriations are:
 - (a) proprietary fund appropriations; or
 - (b) other appropriations specifically identified in the local government's final budget resolution as fee-based appropriations.
 (Section 7-6-4012, MCA)
- Adjustments of fee-based appropriations must be:
 - (a) based upon the cost of providing the services supported by the fee; and
 - (b) fully funded by the related fees for services, fund reserves, or nonfee revenue such as interest.
 (Section 7-6-4012, MCA)

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FEE BASED BUDGETS – ADJUSTABLE APPROPRIATION - continued:

13. Suggested Audit Procedures:

- During your review of the budget documents, determine if the governing body authorized adjustments to budget appropriations for those funds that operate on a fee basis.
- If so, verify that adjustments for fee based appropriations were based upon the cost of providing the services, and the adjustment was funded by the fee collected, fund reserves, or nonfee revenue as described in Section 7-6-4012, MCA

EMERGENCY BUDGET APPROPRIATIONS:

14. Compliance Requirement:

- Emergency budget appropriations must be adopted by two-thirds of the members of a governing body who are present at the meeting. These expenditures are limited to and must be charged to the adopted emergency budget appropriations. (Section 7-6-4032, MCA)

(Note: The governing body may submit the question of funding emergency warrants at an election as provided by law. Section 7-6-4032(3), MCA)

Suggested Audit Procedure:

- Review the minutes and the accounting records to determine if the city or town council or commission adopted emergency budgets. Verify, that emergency budget appropriations expenditures were limited to the costs associated with the emergency.

TAX LEVY FOR PAYMENT OF BONDS:

15. Compliance Requirements:

- The governing body, at the time of making a levy for taxes, must levy a separate and special tax on all taxable property in the city or town for payment of interest and principal on each series or issue of general obligation bonds outstanding. The levy must be high enough to pay interest and principal that will become due during the current fiscal year or within 90 days after the fiscal year. (Section 7-7-2265, MCA)

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TAX LEVY FOR PAYMENT OF BONDS - continued:

15. Compliance Requirements - continued:

- If no principal becomes due and payable within that time, then the tax levy must be high enough to raise an amount sufficient to:
 - a. pay all interest that will become due during the current fiscal year or within 90 days after the fiscal year, and
 - b. place in the sinking fund, for the payment of principal when it does become due, an amount not less than a sum produced by dividing the total amount of the bonds originally issued by the number of years for which the bonds are issued.
 (Section 7-7-2265, MCA)

- If the bonds do not pay periodic interest, but are sold at a discount, then the amount of the levy must be actuarially sufficient so that at the time of redemption, there is an amount in the sinking fund to redeem the bonds. (Section 7-7-4265, MCA)

(Note: Also, Rogge vs. Petroleum County requires that the county commissioners must take into consideration the amount of money already available in each fund for which a levy is made. Although, this case refers to county commissioners it would appear to be also relevant to the governing body of a city or town.)

- The authorization of bonds by the electors or the governing body constitutes the appropriation of bond proceeds for the purpose for which the bonds are authorized. (Section 7-6-4011, MCA)

Suggested Audit Procedure:

- Determine that the amount levied to pay general obligation bonds is sufficient to meet the debt service requirements of the bond issue, as described above.

INSTALLMENT PURCHASE CONTRACTS:

16. Compliance Requirement:

- The budget for each year must contain an appropriation for each installment payment that is due on installment purchase contracts. (Section 7-5-4306, MCA)

Suggested Audit Procedure:

- Determine if the city/town was obligated for any installment purchase contracts, and review the budget to determine if there is an appropriation for each required installment purchase contract payment.

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JUDGMENTS:

17. Compliance Requirement:

- Judgments against a local government that are not covered by insurance must be paid in the current fiscal year if there is sufficient money in the general fund to pay both the judgment and the general fund appropriations for the current fiscal year; or must be paid from additional tax levies made in each of the next 3 years if general fund money is insufficient to pay the judgment in the current fiscal year. (Section 7-6-4015, MCA)

Suggested Audit Procedure:

- Determine if the city or town was obligated for any judgments, and review the cash balance of the general fund to determine if there was sufficient money in the general fund to pay both the judgment and the general fund appropriations. If not, verify that a tax levy was made in the subsequent period.

CAPITAL IMPROVEMENT PROGRAM:

18. Compliance Requirement:

- A municipal governing body may provide for a capital improvement program for the replacement, improvement, and acquisition of property, facilities, or equipment that costs in excess of \$5,000 and that has a life expectancy of 5 years or more. The capital improvement fund may receive money from any source, including funds that have been allocated in any year but have not been expended or encumbered by the end of the fiscal year. (Section 7-6-616, MCA)

Suggested Audit Procedure:

- If the municipal governing body has established a capital improvement fund, determine that the city/town commissioners have formally adopted a capital improvement program and that the fund is to be used for the replacement, improvement, and acquisition of property, facilities, or equipment that costs in excess of \$5,000 and that has a life expectancy of 5 years or more.

OPEN SPACE LANDS:

19. Compliance Requirements:

- For the purposes of open space land, the city or town may:
 - (a) appropriate funds;
 - (b) subject to 15-10-420, levy taxes and assessments according to existing codes and statutes;

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

OPEN SPACE LANDS - continued:

19. Compliance Requirements - continued:

- (c) issue and sell its general obligation bonds in the manner and within the limitations prescribed by the applicable laws of the state, subject to the provisions below; and
 - (d) exercise its powers under this chapter through a board or commission or through the office or officers that its governing body by resolution determines.

(Section 76-6-109(2), MCA)
- Property taxes levied to pay the principal and interest on general obligation bonds pursuant to Title 76, Chapter 6, MCA (Open Space) may not be levied against the following property:
 - (a) agricultural land eligible for valuation, assessment, and taxation as agricultural land under 15-7-202;
 - (b) forest land as defined in 15-44-102;
 - (c) all agricultural improvements on agricultural land referred to in subsection (a) above;
 - (d) all noncommercial improvements on forest land referred to in (b) above; and
 - (e) agricultural implements and equipment described in 15-6-138(1)(a).

(Section 76-6-109(3), MCA)

Suggested Audit Procedures:

- Review the approved budget document and resolution and compare actual expenditures to the approved budget appropriations.
- Determine that property taxes levied for open space purposes or to pay the principal and interest on open space general obligation bonds were levied in accordance with the above provisions.

PROTEST TAX LEVY – REPAYMENT OF TAXES:

20. Compliance Requirement:

- If a protested tax action is decided adversely to a taxing jurisdiction and the amount retained in the protest fund is insufficient to refund the tax payments and costs to which the taxpayer is entitled and for which local government units are responsible, the taxing jurisdiction may satisfy the requirements as follows:
 - (a) imposition of a property tax to be collected by a special tax protest refund levy;
 - (b) the general fund or any other funds legally available to the governing body; and
 - (c) proceeds from the sale of bonds. The bonds may be issued without being submitted to an election, and property taxes may be levied to amortize the bonds.

(Section 15-1-402(7), MCA)

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

Suggested Audit Procedure:

- If the protest action is decided adversely to a taxing jurisdiction, determine that it is satisfied as described above. (See 6 above for additional information on levy requirements and exemptions.)

CASH TRANSFERRED TO OTHER FUNDS:

21. Compliance Requirement:

- Money may not be transferred from one fund to another except by resolution of a municipal governing body unless the transfer is:
 - (1) previously authorized by a budget resolution;
 - (2) to close inactive funds (Section 7-6-614, MCA;
 - (3) made in the usual course of municipal business (i.e., tax increment finance districts; specialized tax situations; the purpose of distributing refunds, protested taxes, or interest charges for interest in lieu of registered warrants; bond sinking fund transfers; residual equity transfers; transfers of investments; or corrections of errors); or
 - (4) otherwise authorized by statute.
(Section 7-6-613, MCA)

Suggested Audit Procedure:

- As part of cash testing, determine that cash transfers were only made for those purposed specified in Section 7-6-613, MCA.

INSURANCE TAX LEVIES:

22. Compliance Requirements:

- Comprehensive Insurance: Subject to Section 15-10-420 (See Compliance Requirement No. 6) and the following steps specified in Section 2-9-212(2), MCA, a local governmental entity may levy an annual property tax in the amount necessary to fund the premium for insurance, deductible reserve fund, and self-insurance reserve fund and to pay the principal and interest on bonds or notes issued pursuant to Section 2-9-211(5), MCA. (Section 2-9-212(1), MCA)
- Group Benefits: Subject to Section 15-10-420 (See Compliance Requirement No. 6), a local government may levy a property tax in the amount necessary to fund the local government's contribution to group insurance. (Note: See also Permissive Medical Levy discussed below.) (Sections 2-18-703(3), 2-9-212(2), & 7-6-2527, MCA; funding provision of Section 2, Ch. 395, L. 1975)

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

INSURANCE TAX LEVIES - continued:

22. Compliance Requirements - continued:

- **Permissive Medical Levy:** If a local governmental entity made contributions for group benefits under Section 2-18-703, MCA on or before July 1, 2001, the increase in the local government's property tax levy for the government's premium contributions for group benefits under Section 2-18-703, MCA, beyond the amount of contributions in effect at the beginning of the last fiscal year (referred to hereafter as the **permissive medical levy**) is not subject to the mill levy calculation limitation provided for in Section 15-10-420, MCA. (Section 2-9-212(2) (a), MCA) **(Note: If a local government did not contribute to a plan before this date, it appears that it is precluded from levying any permissive mills. If that is the case, the government must seek voter authority to levy additional mills outside of Section 15-10-420, MCA for employer contributions to group health insurance benefits.)**
- Permissive medical levies must be calculated separately from the mill levies calculated under Section 15-10-420, MCA, and are not subject to the inflation factor described in Section 15-10-420(1)(a), MCA. (Section 2-9-212(2)(a), MCA)
- A permissive medical levy in the previous year may not be included in the amount of property taxes that a governmental entity is authorized to levy for the purposes of determining the amount that the governmental entity may assess under the provisions of Section 15-10-420(1)(a), MCA. (Section 2-9-212(2)(c), MCA)
- When a permissive medical levy decreases or is no longer levied, the revenue may not be combined with the revenue determined in Section 15-10-420(10)(a), MCA. (Section 2-9-212(2)(c), MCA)
- Each year, prior to implementing a permissive medical levy and after notice is given as required by Sections 7-1-2121 or 7-1-4127, a public hearing must be held regarding any proposed increases. (Section 2-9-212(2) (b), MCA)
- If tax-billing software is capable, the county treasurer shall list separately the cumulative mill levy or dollar amount on the tax notice sent to each taxpayer under Section 15-16-101(2), MCA. The mill levy must be described as the permissive medical levy. (Section 2-9-212(2) (a), MCA)

(Note: The Department of Administration has established Fund Number 2372 (Permissive Medical Levy) to address the uniqueness of the above law. Two things are very important to remember with this levy. (1) This permissive levy can only increase by the amount of increased insurance premium contributions the local government is going to pay. (2) If a local government entity increases its insurance premium contribution and does not also increase its permissive medical levy, the

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I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

INSURANCE TAX LEVIES - continued:

22. Compliance Requirements - continued:

entity loses the ability to increase the levy for that increase in future years but not for future increases since this permissive levy is based on the levy of the previous year. In theory, any increase (decrease) in insurance premium contributions is equally off-set by a similar increase (decrease) in tax revenues, resulting in no change to fund balance.)

Suggested Audit Procedures:

- Determine the amount of premium contributions that were in effect on or before July 1, 2001, and calculate the number of mills required to fund the premium contributions. Verify that this amount was included in the amount used to determine the maximum number of mills allowed, per Section 15-10-420.
- If premium contributions for the current year are greater than those in effect on or before July 1, 2001, verify that the additional mills were not included in the Section 15-10-420 maximum mill calculation, but were instead included in a separate permissive levy.
- Verify that the current year's permissive medical levy was equal to the prior year's permissive medical levy plus an amount equal to any current-year increase (decrease) in premium contributions.
- Determine if the county's software is capable of listing mill levies separately. If so, verify that the premium contribution was shown on tax statements as the "permissive medical levy".

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
All-Purpose General	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	7-6-4451
General Fund	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	7-6-4401
(Note: All Other Levies, Funds or Functions Listed Alphabetically)		
Air Pollution Control Program	Cost of Program to be borne by the municipality - No specific levy authority. Permit fees may be collected per 75-2-220 and they may be eligible for state aid in an amount up to 30% of the locally funded annual operating cost per 75-2-302.	75-2-301
Airport or Joint Airport	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	67-10-402
Airport Authority	In municipalities participating in the creation of an airport authority, a levy subject to 15-10-420 may be imposed as provided in 67-10-402, above. If the voters approve a resolution adopted by the governing body, an additional tax may be levied, limited to an amount sufficient to meet the deficiency for payment of revenue bond principal and interest, if such a deficiency exists.	67-11-301 67-11-303(6)
Ambulance	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.) (Note: May contract for ambulance service.)	7-34-102
Band and Recreation	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.) (for the purpose of providing band concerts; Sections 20-7-801 and 7-16-4107, MCA, provide that public recreation and playgrounds program expenditures may be paid from the band fund)	7-16-4113
Bond Principal and Interest	No Specific Statutory Limit (Separate levy for each bond issue) – Each levy shall be sufficient to pay interest and principal due and payable during the current year or within 90 days after the fiscal year. (See Compliance Requirement No. 15) This levy may be in addition to the all-purpose general levy.	7-7-4265 7-6-4453
Bus Service (City Bus)	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.) (with voter approval an additional levy)	7-14-4404

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Capital Improvement Fund	The capital improvement fund may receive money from any source, including funds that have been allocated in any year but have not been expended or encumbered by the end of the fiscal year. (See Compliance Requirement No. 18)	7-6-616
Cemetery	No Limit, but it appears the mill levy would be subject to 15-10-420. (See Compliance Requirement No. 6.)	7-35-4108
Comprehensive Insurance	As necessary, subject to the mill levy limitations of 15-10-420. (See Compliance Requirements No. 6 & No. 22) (For other insurance, see Group Insurance and Permissive Medical Levy, below)	2-9-212(1)
Consolidated County and City Government	Subject to 15-10-420, a consolidated local government may levy all taxes that counties, cities, and towns are authorized to levy. The governing body must pass an ordinance conforming to Section 15-10-420 to fix the annual tax levy. Taxes to be levied for the debt of the government are not affected by these limits.	7-3-1104 7-3-1310 7-3-1311
Day-Care Centers and Homes (Licensed)	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	7-16-4114
Disaster-(Emergency levies)	2.00 Mills (must be passed by unanimous vote of council)	10-3-405
Economic Development	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	90-5-112
Electrical Generation Facility Impact Fees (See also Wind Generation Facility Impact Fees)	A local government may assess an impact fee against an electrical energy generation facility that is exempt from taxation. The impact fee is distributed to impacted local governments and school districts. If the facility is located within the jurisdictional areas of multiple local governments, the governments may enter into an interlocal agreement to determine how the impact fees should be distributed to the various impacted local governments and school districts. The municipality's portion of the fees should be deposited in an Electrical Generation Impact Fund (BARS Fund No. 2898). State law indicates that the fund is financially administered as a nonbudgeted fund (but see Note at Compliance Requirement No. 12)	15-24-3005 through 15-24-3007
Fire Department (Volunteer)	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	7-33-4111

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Firemen's Disability and Pension Fund	<p>Prior to April 7, 2005: Subject to 15-10-420, if the fund contains less than 0.21% of the total assessed value of all taxable property within the limits of the city or town, the governing body of the city or town shall, levy a tax as provided in 19-18-504.</p> <p>Effective April 7, 2005: The fund must be soundly funded. The fund is soundly funded if assets in the fund are maintained at a level (1) equal to at least 0.21% but no more than 0.52% of the total assessed value of taxable property within the limits of the city or town, OR funding is maintained at a level (2) determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. Whenever the fund contains less than the minimum required to keep the fund soundly funded, a tax should be levied, subject to 15-10-420.</p> <p>When the fund contains an amount that is less than 0.52% but more than 0.21% of the total assessed value of all taxable property within the city or town, the city or town council may, <u>if authorized by the voters</u> as provided in 15-10-425, levy an annual tax.</p> <p>(Note: Municipalities that adopt the all-purpose mill levy (see above) forfeit the power to impose levies for any particular purpose not clearly excepted by statute. Thus, the all-purpose mill levy supplants the taxing authority granted in 19-18-503. A.G.O. No. 112 Vol. 38 (1980)).</p> <p>(NOTE: Once an actuarial valuation has been conducted, funding must continue to be based on actuarial determinations rather than on the total assessed value of taxable property (option (1), above)).</p>	19-18-503 and 19-18-504
Group Insurance	<p>As necessary, subject to the mill levy limitations of 15-10-420. (See Compliance Requirements No. 6 & No. 23)</p> <p>(Note: <u>See Permissive Medical Levy below</u> – the levy for funding the increase in the property tax levy beyond the amount of contributions in effect at the beginning of the last fiscal year is not subject to the mill levy calculation limitation.)</p>	2-18-703(3) 7-6-2527 2-9-212(2) Chapter 359, Section 2, Laws of Montana 1975 (Refers to 1-2-112) – “ a public purpose which may be financed by a levy”
Group Insurance - Firefighters	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	7-33-4130(2)

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Group Insurance - Policemen	Subject to 15-10-420, the administration of this section is declared a public purpose of a city, which may be paid out of the general fund of the governing body and financed by a levy on the taxable value of all taxable property within the city or town.	7-32-4117(2)
Health (City Board of Health)	May be funded by appropriations from general fund and a tax levy subject to 15-10-420. (See Compliance Requirement No. 6.) Effective July 1, 2005, 50-2-114 repealed.	50-2-108 50-2-110 50-2-114
Health (City-County Boards of Health)	City share may be funded by one of the following two methods: 1. Appropriation from general fund. OR 2. Mill levy subject to 15-10-420. (See Compliance Requirement No. 6) Effective July 1, 2005, 50-2-114 repealed.	50-2-108 50-2-111 50-2-114
Health (District Boards of Health)	1st and 2nd class cities which elect to be included in the district contribute to the county in which they are located as specified in 50-2-111 (see City-County Boards of Health above) Effective July 1, 2005, 50-2-114 repealed.	50-2-112 50-2-114
Judgment	Special levy authorized by law, in an amount necessary to pay any unpaid portion of the judgment or settlement that was not paid by insurance or the general fund (A tax levy may be levied in each of the next 3 years if the general fund money is insufficient to pay the judgment in the current fiscal year.)	2-9-316 7-6-4015
Juvenile Detention	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.)	7-6-502
Library (City Free Library)	Mill levy subject to 15-10-420. (See Compliance Requirement No. 6.) (Plus additional levy if approved by voters)	22-1-304
Library Depreciation Reserve	Funds which have been allocated to the library in any year but which have not been expended by the end of the year. Such unexpended library monies include but are not limited to city or city-county appropriations, federal funds, and public and private grants.	22-1-306

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Library - Joint City-County	Subject to 15-10-420, the governing body of any city entering into a contract may levy a special tax as provided in 22-1-304 for the establishment and operation of a joint city-county library. (See Compliance Requirement No. 6)	22-1-304 and 316
Local Government Study Commission	Mill levy limit subject to the provisions of Section 15-10-420, MCA.	7-3-184
Local Option Vehicle Tax	Up to 0.7% of the value determined under 61-3-503 or a local flat fee, in addition to the fee imposed under 61-3-560 through 61-3-562 (Effective January 1, 2006 - 61-3-321(2) or 61-3-562). Local option tax is distributed as follows: 50% to county 50% to county and incorporated cities & towns within the county, apportioned on the basis of population. (Note: The distribution is based on the registration address of the owner of the motor vehicle.)	61-3-537
Museum	Mill levy limit subject to 15-10-420, (See Compliance Requirement No. 6)	7-16-4105
Open-Space Land	Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6) Property taxes levied to pay the principal and interest on general obligation bonds may not be levied against the property described in 76-6-109(3), (See Compliance Requirement No. 19)	76-6-109(2)(b) 76-6-109(3)
Park and Playground	Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6)	7-16-4105
Permissive Medical Levy (see also Group Insurance, above)	<u>If a local government made contributions for group benefits on or before July 1, 2001</u> , the increase in the property tax levy beyond the amount of contributions in effect at the beginning of the last fiscal year is not subject to the mill levy calculation limitation. (Note: If the government did not contribute to a plan before this date, it is precluded from levying any permissive mills and must seek voter authority to levy additional mills outside of Section 15-10-420, MCA for employer contributions to group health insurance benefits.) (See Compliance Requirement No. 22)	2-9-212(2) 2-18-703
Planning Board	Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6)	76-1-406

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Police Reserve	Each city, other than one of the first or second class, that has a police retirement fund and that did not elect to join the statewide police reserve fund shall deposit monthly in the police reserve fund 11% of the total salaries of the preceding month paid to active police officers of such city or town, exclusive of overtime and payments in lieu of sick leave and annual leave. The city or town may levy, subject to 15-10-420, an amount sufficient to meet this demand. (Note: Municipalities that adopt the all-purpose mill levy (see above) forfeit the power to impose levies for any particular purpose not clearly excepted by statute. Thus, the all-purpose mill levy supplants the taxing authority granted in 19-19-301. A.G.O. No. 112 Vol. 38 (1980)).	19-19-301
Port Authorities	Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6) Property taxes levied to pay the principal and interest on general obligation bonds may not be levied only after the issuance of the bonds has been submitted to the qualified electors and approved by a majority vote.	7-14-1131 67-10-402
Public Employee's Retirement System	No Limit (as necessary if general fund insufficient); Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6)	19-3-204
Public Facility Capital Improvements Impact Fee Effective 4/19/2005	Local governments may impose impact fees upon new development to fund all or a portion of the public facility capital improvements affected by the new development. Impact fees must be in compliance with the provisions of 7-6-1602, and may not include operation or maintenance costs or costs of correcting existing deficiencies.	7-6-1601 - 1604
Recreational, educational, and other activities of elderly (Senior Citizens)	Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6) (Note: May contract with or make payments to nonprofit corporations or associations engaged in aiding the activities.)	7-16-101(1)

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Resort community tax	<p>Resort tax must be approved by electors. The rate of the tax must be established by the election petition or resolution, but may not exceed 3% of the retail value of all goods and services sold as provided in 7-6-1503</p> <p>Annually anticipated receipts from the resort tax must be applied to reduce the municipal property tax levy for the fiscal year in an amount equal to at least 5% of the resort tax revenues derived during the preceding fiscal year.</p> <p>A resort community that received more resort tax revenues than had been included in the annual municipal budget shall establish a municipal property tax relief fund. All resort tax revenues received in excess of the budget amount must be placed in the fund. The entire fund must be used to replace municipal property taxes in the ensuing fiscal year.</p>	7-6-1502 - 1507
Special Improvement District Revolving Fund	<p>A tax may not be levied if the revolving fund balance exceeds 5% of the then outstanding S.I.D. bonds and warrants secured by the revolving fund. If a tax is levied, it may not be in an amount that will increase the balance in the revolving fund above 5% of the then outstanding S.I.D. bonds and warrants secured by the revolving fund.</p> <p>Transfers may also be made to the revolving fund from the general fund, which shall be considered as loans. Further, to provide funds for the revolving fund, the city or town council can include in the cost of improvements to be defrayed from the proceeds of the bonds or warrants (if secured by the revolving fund) an amount equal to 5% of the principal amount of the bonds or warrants to be issued.</p>	7-12-4222
Streets and Alleys	<p>Subject to 15-10-420 (See Compliance Requirement No. 6), a city or town council has power to annually levy and collect taxes on all the property in the city or town taxable for state and county purposes and may by ordinance provide for the levy and collection of the taxes.</p> <p>A tax for the removal of garbage and other offensive matter from streets and alleys may be levied upon specific property from which such matter was deposited.</p> <p>Special improvement districts may be created for specific street work. (See C/T-11)</p> <p>(Streets and Alleys continued on next page)</p>	<p>7-6-4421</p> <p>7-14-4106</p> <p>7-12-4102</p>

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CITY AND TOWN LEVIES/SOURCES OF FUNDING		
Fund or Function	Source of Funding or Levy Authorized	Reference
Streets and Alleys - continued	The city or town may, without the formation of a special improvement district, order sidewalks, curbs, or gutters constructed in front of any lot or parcel of land and may order alley approaches constructed or replaced adjacent to any lot or parcel of land. Costs of such construction may be assessed against the specific property involved.	7-14-4109
Transportation - Senior Citizens and Persons with Disabilities	Mill levy limit subject to 15-10-420. (See Compliance Requirement No. 6). (Note: May contract with public or private transportation providers.)	7-14-111
Weed Control	The city or town council has power to declare and determine what vegetation within the city or town shall be nuisance weeds and require the owners of any property to exterminate or remove nuisance weeds from their premises and the one-half of any road or street lying next to the land. In the event the owner or owners of any said premises neglect to exterminate or remove the nuisance weeds the city or town council may levy the cost of such extermination or removal as a special tax against the property.	7-22-4101
Wind Generation Facility Impact Fees (See also Electrical Generation Facility Impact Fees)	A local government may assess an impact fee against an electrical energy generation facility that is exempt from taxation. The impact fee is distributed to impacted local governments and school districts. If the facility is located within the jurisdictional areas of multiple local governments, the governments may enter into an interlocal agreement to determine how the impact fees should be distributed to the various impacted local governments and school districts. The municipality's portion of the fees should be deposited in an Electrical Generation Impact Fund (BARS Fund No. 2898). State law indicates that the fund is financially administered as a nonbudgeted fund (but see Note at Compliance Requirement No. 12)	15-24-3004 through 15-24-3007

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DETERMINATION OF TAX REVENUE AND MILL LEVY LIMITATIONS UNDER SECTION 15-10-420, MCA

The 2001 Legislature revised the laws governing local government collections by eliminating specific statutory mill levy restrictions and again revised the limit on property taxes. They also provided for a uniform election procedure to exceed the mill levy limits and provided for local government entitlements.

A key component of SB 184 of the 1999 legislature and HB 124 (now codified as Section 15-10-420, MCA) relates to the ability of local governments to raise local levies to compensate for the revenue lost because of the tax relief measures but which is not to be reimbursed by the State. This has been commonly referred to as the "floating mill." The following worksheets are similar to ones used by many local governments to calculate revenue limitations and the maximum allowable mill levy, including the "floating mill." It is included in this Compliance Supplement to be used as an aid by auditors when testing compliance with budget and tax laws. Individual steps on the worksheet are referenced to a more detailed explanation on the page following the worksheet.

It is recommended that this worksheet be used to compute limitations and mill levies by individual fund, although it can be used in the aggregate for funds that have the same taxable value. If the aggregate method is used, local governments will then have to determine an allocation of tax revenue and the mill levy determined for each fund.

The worksheets on the following pages and the accompanying explanatory notes were designed to calculate the authorized mill levies under Section 15-10-420, MCA including floating mills, for the **years ended June 30, 2005, 2006, and 2007.**

A current version of this same worksheet, is located on the Department of Administration's web site at:

<http://doa.mt.gov/doaforms/LocalGovernmentForms/AccountingSystemsProgram/03%20Budget%20Reports/levycompFY2007.xls>

The worksheet is in Excel and has the formulas included. The form was designed so that you can enter only the numbers necessary. The tax revenue and mill levy limitations will be computed automatically by the formulas entered in the various cells.

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DETERMINATION OF TAX REVENUE AND MILL LEVY LIMITATIONS UNDER SECTION 15-10-420, MCA

_____ AGGREGAGE OF ALL FUNDS

FYE JUNE 30, 2005

COUNTY/CITY/TOWN OF _____

ITEMS MARKED WITH (A.) ARE ADDITIONS

ITEMS MARKED WITH (L.) ARE SUBTRACTIONS

MAXIMUM PROPERTY TAXES AUTHORIZED: (Note that appropriate statutes are referenced)

EXPLANATION
REFERENCE

Ad valorem tax revenue authorized to be assessed prior year	<u>xxxx</u>	(1)
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Add: FISCAL YEAR 2004 INFLATION ADJUSTMENT @ 0.968% Section 15-10-420(1a)(1c), MCA) (A.) [(1)*0.97%]	<u>xx2</u>	<u>xx2</u>	(2)
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Less: Property taxes authorized to be assessed in the prior year for Class 1 and 2 property (net and gross proceeds, county only) (Section 15- 10-420(6), MCA) (enter as negative number) (L.)	<u><xx3></u>	<u><xx3></u>	(3)
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Add: Personal Property Tax reimbursement received - prior fiscal year (Section 15-10-420(7), MCA (HB 20 and SB 417 reimbursements)) (A.)	<u>xx4</u>		(4)
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Less: Personal Property Tax reimbursement anticipated - current year (80% of prior FY) (Section 15-10-420(7), MCA) (HB 20 and SB 417 reimbursements) (L.) [(4)*80%]	<u><xx4></u>	<u>xx4+<xx4></u>	(4)
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Adjusted ad valorem tax revenue assessed [(1) + (4)]		<u>xxx</u>	(5)
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CURRENT YEAR LEVY COMPUTATION:

Taxable value per mill		<u>xxxx</u>	(6)
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Less: Newly taxable property per mill value, (enter as negative number) (L.)	<u><xxa></u>		(6a)
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Taxable value per mill of net and gross proceeds (county only) (enter as negative) (L.)	<u><xxb></u>	<u><xxa>+<xxb></u>	(6b)
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Adjusted Taxable value per mill [sum of all 6's]		<u>0</u>	(7)
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Authorized mill levy under Section 15-10-420, MCA (includes floating mills) [(5)/(7)]		<u>xx.xx</u>	(8)
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Adjusted taxable value per mill		<u>xxxx</u>	(7)
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Add: Newly taxable property per mill value	<u>xxa</u>		(6a)
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Taxable value per mill of net and gross proceeds (county only) (A.)	<u>xxb</u>	<u>xxa+xxb</u>	(6b)
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Taxable value per mill (including newly taxable property)		<u>0</u>	(6)
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Authorized mill levy under Section 15-10-420 (includes floating mills)		<u>xx.xx</u>	(8)
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Current property tax revenue authorized limitation [(8)*(6a&b)]		<u>xxxx</u>	(9)
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RECAPITULATION:

Previous year adjusted property tax revenue assessed (5)		<u>xxxx</u>	(5)
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Amount attributable to newly taxable property and net/gross proceeds (A.) [(8)*(6a+6b)]		<u>xxxx</u>	(10)
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Current property tax revenue authorized limitation [(5)+(10)]		<u>xxxx</u>	(9)
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EXPLANATIONS:

Calculating Mill Levies – Section 15-10-420, MCA – (for fiscal year ended June 30, 2005)

- (1) Ad valorem tax revenue authorized to be assessed is determined by multiplying the previous year authorized levy by the previous year taxable value. This amount should be the highest tax authority carried forward under Section 15-10-420, MCA. Voted levies (15-10-420(2)), judgment levies (2-9-316, 7-6-4015, 7-7-2202), emergency levies (10-3-405), protested tax levies (15-1-402), and levies imposed for health insurance premiums (2-9-212) are not to be included. Be sure to use the amount applicable to the prior year levy you were authorized to mill not what you actually milled unless it is the same. This will facilitate the carry forward provision of Section 15-10-420(1)(b).
- (2) The inflation adjustment is calculated using the three previous years, taking one half of the 3 year average. This adjustment will be recalculated annually by the Department of Revenue.
- (3) Property taxes assessed for Class 1 and 2 property, (net and gross proceeds), is determined by multiplying the previous years mill levy times the previous years taxable value for net and gross proceeds. This deduction is required under Section 15-10-420(6), MCA.
- (4) The amount for the prior fiscal year amounts received can be obtained from the prior fiscal year general ledger revenue account for personal property tax reimbursements (335210). The amount for current year anticipated revenue represents the amount of revenue estimated for the current year. This amount is a 20% reduction from the prior year.
- (5) This amount is the net of items (1) through (4)
- (6) This amount is taken from line 2 on the Certified Taxable Valuation Information sheet supplied by the Department of Revenue. The number should be entered as the per mill value. (Taxable value moving the decimal three digits to the left)
- (6a) The per mill value of newly taxable property is taken from line 3 on the Certified Taxable Valuation Information sheet supplied by the Department of Revenue.
- (6b) This amount appears on line 4 of the Certified Taxable Valuation Information sheet supplied by the Department of Revenue (county only). This amount represent the per mill value of the net and gross proceeds taxable value.
- (7) This amount is the net amount of per mill taxable value less newly taxable property as defined in Section 15-10-420(3), MCA and Class 1 and 2 property (net and gross proceeds) taxable value.
- (8) The floating mill is determined by dividing the adjusted taxable value per mill (Item 7) into the adjusted property tax revenue assessed (Item 5).
- (9) Determined by multiplying the mill levy (Item 8) by the current year taxable value inclusive of newly taxable property and net/gross proceeds (Items 6a and 6b). This represents the maximum amount of taxes which can be levied.
- (10) Determined by multiplying the newly taxable property plus net/gross proceeds (Items 6a and 6b) by the calculated mill levy (Item 8).

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DETERMINATION OF TAX REVENUE AND MILL LEVY LIMITATIONS UNDER SECTION 15-10-420, MCA

_____ AGGREGATE OF ALL FUNDS

FYE JUNE 30, 2006

COUNTY/CITY/TOWN OF _____

ITEMS MARKED WITH (A.) ARE ADDITIONS

ITEMS MARKED WITH (L.) ARE SUBTRACTIONS

MAXIMUM PROPERTY TAXES AUTHORIZED: (Note that appropriate statutes are referenced)

EXPLANATION
REFERENCE

Ad valorem tax revenue authorized to be assessed prior year		xxxx	(1)
Add: FISCAL YEAR 2004 INFLATION ADJUSTMENT @ 1.251% Section 15-10-420(1a)(1c), MCA) (A.) [(1)*1.251%]	xx2	xx2	(2)
Less: Property taxes authorized to be assessed in the prior year for Class 1 and 2 property (net and gross proceeds, county only) (Section 15- 10-420(6), MCA) (enter as negative number) (L.)	<xx3>	<xx3>	(3)
Add: Personal Property Tax reimbursement received - prior fiscal year (Section 15-10-420(7), MCA (HB 20 and SB 417 reimbursements)) (A.)	xx4		(4)
Less: Personal Property Tax reimbursement anticipated - current year (75% of prior FY) (Section 15-10-420(7), MCA) (HB 20 and SB 417 reimbursements) (L.) [(4)*75%]	<xx4>	xx4+<xx4>	(4)
Adjusted ad valorem tax revenue assessed [(1) + (4)]		xxx	(5)

CURRENT YEAR LEVY COMPUTATION:

Taxable value per mill		xxxx	(6)
Less: Newly taxable property per mill value, (enter as negative number) (L.)	<xxa>		(6a)
Taxable value per mill of net and gross proceeds (county only) (enter as negative) (L.)	<xxb>	<xxa>+<xxb>	(6b)
Adjusted Taxable value per mill [sum of all 6's]		0	(7)

Authorized mill levy under Section 15-10-420, MCA (includes floating mills) [(5)/(7)]	xx.xx	(8)
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Adjusted taxable value per mill		xxxx	(7)
Add: Newly taxable property per mill value	xxa		(6a)
Taxable value per mill of net and gross proceeds (county only) (A.)	xxb	xxa+xxb	(6b)
Taxable value per mill (including newly taxable property)		0	(6)

Authorized mill levy under Section 15-10-420 (includes floating mills)	xx.xx	(8)
Current property tax revenue authorized limitation [(8)*(6a&b)]	xxxx	(9)

RECAPITULATION:

Previous year adjusted property tax revenue assessed (5)		xxxx	(5)
Amount attributable to newly taxable property and net/gross proceeds (A.) [(8)*(6a+6b)]		xxxx	(10)
Current property tax revenue authorized limitation [(5)+(10)]		xxxx	(9)

EFFECTIVE DATE: 7/1/1999 (unless otherwise noted)

REVISION DATE: 6/30/2006

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EXPLANATIONS:

Calculating Mill Levies – Section 15-10-420, MCA – (for fiscal year ended June 30, 2006)

- (1) Ad valorem tax revenue authorized to be assessed is determined by multiplying the previous year authorized levy by the previous year taxable value. This amount should be the highest tax authority carried forward under Section 15-10-420, MCA Voted levies (15-10-420(2)), judgment levies (2-9-316, 7-6-4015, 7-7-2202), emergency levies (10-3-405), protested tax levies (15-1-402), and levies imposed for health insurance premiums (2-9-212) are not to be included. Be sure to use the amount applicable to the prior year levy you were authorized to mill not what you actually milled unless it is the same. This will facilitate the carry forward provision of Section 15-10-420(1)(b).
- (2) The inflation adjustment is calculated using the three previous years, taking one half of the 3 year average. This adjustment will be recalculated annually by the Department of Revenue.
- (3) Property taxes assessed for Class 1 and 2 property, (net and gross proceeds), is determined by multiplying the previous years mill levy times the previous years taxable value for net and gross proceeds. This deduction is required under Section 15-10-420(6), MCA
- (4) The amount for the prior fiscal year amounts received can be obtained from the prior fiscal year general ledger revenue account for personal property tax reimbursements (335210). The amount for current year anticipated revenue represents the amount of revenue estimated for the current year. This amount is a 25% reduction from the prior year.
- (5) This amount is the net of items (1) through (4)
- (6) This amount is taken from line 2 on the Certified Taxable Valuation Information sheet supplied by the Department of Revenue. The number should be entered as the per mill value. (Taxable value moving the decimal three digits to the left)
- (6a) The per mill value of newly taxable property is taken from line 3 on the Certified Taxable Valuation Information sheet supplied by the Department of Revenue.
- (6b) This amount appears on line 4 of the Certified Taxable Valuation Information Sheet supplied by the Department of Revenue (county only) Represents the per mill value of the net and gross proceeds taxable value.
- (7) This amount is the net amount of per mill taxable value less newly taxable property as defined in Section 15-10-420(3), MCA and Class 1 and 2 property (net and gross proceeds) taxable value.
- (8) The floating mill is determined by dividing the adjusted taxable value per mill (Item 7) into the adjusted property tax revenue assessed (Item 5).
- (9) Determined by multiplying the mill levy (Item 8) by the current year taxable value inclusive of newly taxable property and net/gross proceeds (Items 6a and 6b). This represents the maximum amount of taxes which can be levied.
- (10) Determined by multiplying the newly taxable property plus net/gross proceeds (Items 6a and 6b) by the calculated mill levy (Item 8).

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EXPLANATIONS:

Calculating Mill Levies – Section 15-10-420, MCA – (for fiscal year ended June 30, 2007)

- (1) Ad valorem tax revenue authorized to be assessed is determined by multiplying the previous year authorized levy by the previous year taxable value. This amount should be the highest tax authority carried forward under Section 15-10-420, MCA. Voted levies (15-10-420(2)), judgment levies (2-9-316, 7-6-4015, 7-7-2202), emergency levies (10-3-405), protested tax levies (15-1-402), and levies imposed for health insurance premiums (2-9-212) are not to be included. Be sure to use the amount applicable to the prior year levy you were authorized to mill not what you actually milled unless it is the same. This will facilitate the carry forward provision of Section 15-10-420(1)(b).
- (2) The inflation adjustment is calculated using the three previous years, taking one half of the 3 year average. This adjustment will be recalculated annually by the Department of Revenue.
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- (6b) This amount appears on line 4 of the Certified Taxable Valuation Information Sheet supplied by the Department of Revenue (county only) Represents the per mill value of the net and gross proceeds taxable value.
- (7) This amount is the net amount of per mill taxable value less newly taxable property as defined in Section 15-10-420(3), MCA and Class 1 and 2 property (net and gross proceeds) taxable value.
- (8) The floating mill is determined by dividing the adjusted taxable value per mill (Item 7) into the adjusted property tax revenue assessed (Item 5).
- (9) Determined by multiplying the mill levy (Item 8) by the current year taxable value inclusive of newly taxable property and net/gross proceeds (Items 6a and 6b). This represents the maximum amount of taxes which can be levied.
- (10) Determined by multiplying the newly taxable property plus net/gross proceeds (Items 6a and 6b) by the calculated mill levy (Item 8).